

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

TERRAFORM LABS PTE. LTD. and DO  
HYEONG KWON,

Defendants.

Civil Action No. 23-cv-1346 (JSR)

Hon. Jed S. Rakoff

**DECLARATION OF ARRASH CHRIS AMANI**

I hereby declare pursuant to 28 U.S.C. § 1746:

1. I am the Chief Executive Officer of Defendant Terraform Labs Pte. Ltd. (“TFL”).

I make this Declaration in support of TFL’s Memorandum Regarding Potential Remedies. This declaration is based on my personal knowledge and review of TFL business records.

TFL’s Current Operations

2. I replaced Do Kwon as Chief Executive Officer of TFL in March 2023.
3. TFL’s current operations are focused on developing and maintaining the Terra blockchain and other blockchains. Specifically, TFL has developed, and continues to develop, a robust slate of software applications that are designed to be used on the Terra blockchain and “cross-chain” (*i.e.*, on other blockchains). For example, TFL has developed a “cross-chain” wallet called Station that allows users to access, in addition to the Terra blockchain, other blockchains and decentralized applications built within the third-party Cosmos blockchain network.

4. TFL does not currently produce or create any cryptocurrency assets, nor does TFL sell any cryptocurrency assets, other than selling assets in its treasury (not UST, LUNA, or MIR) to pay its operating expenses.

Spreadsheet of Certain Token Sales

5. Attached hereto as Exhibit A is spreadsheet accurately reflecting information contained in the documents referenced therein.

UST and the Anchor Protocol

6. Terraform Labs PTE Ltd. (“TFL”) and its founders conceived of Terra USD (“UST”), an algorithmically-backed stablecoin pegged to the value of the United States Dollar, during initial development of the Terra blockchain in 2018. UST was one of a suite of Terra stablecoins, which also included KRT (pegged to the Korean Won) and SDT (which was similar to International Monetary Fund Special Drawing Rights). With respect to UST, the Terra blockchain natively incorporated an algorithmic “mint-burn” mechanism to enable its users to “burn” or destroy Terra’s native governance token, LUNA, in exchange for an equivalent value of newly “minted” or created UST or burn UST to create LUNA.<sup>1</sup> This mechanism was structured to provide an arbitrage opportunity for users: If UST’s price dropped below \$1, traders could buy UST at that price and exchange it for \$1 of LUNA, effectively “burning” UST and “minting” LUNA. Conversely, if UST’s price rose above \$1, a user could reverse the process.

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<sup>1</sup> The mint-burn mechanism operated through a “smart contract.” A “smart contract” is not a promise of future performance by a counterparty, it is a computer program that operates automatically and autonomously when it is activated and criteria set forth in the smart contract code are satisfied. Unlike computer programs such as word processors, which “reside” on specific computers, smart contracts “reside” on the blockchains they operate on; their underlying code can be examined directly on a blockchain or in open source repositories in which the code is often stored.

7. TFL did not sell UST in the first instance; it could only be created by burning existing LUNA. TFL also did not sell UST (or obtain gains by selling UST) when an individual used the mint-burn mechanism. The algorithm at the heart of the smart contract was decentralized and ran independently through open source program code on the Terra blockchain without intervention by TFL or its affiliates. This code was subject to modification only upon a successful vote of LUNA token holders, in accordance with public Terra blockchain governance procedures.

8. TFL launched UST in September 2020. All UST was created by operation of the mint-burn mechanism.

9. TFL did not sell UST (or obtain gains by selling UST) at any time when the Anchor Protocol (“Anchor”) was operational. Indeed, TFL and its affiliated business entities did not sell UST to purchasers by Token Sale Agreement (“TSA”), Simple Agreement for Future Tokens (“SAFT”), or otherwise.<sup>2</sup>

10. TFL implemented Anchor on the Terra blockchain in March 2021, after the creation of UST and the mint-burn mechanism built into the Terra blockchain. TFL did not sell UST or gain UST through the use of Anchor. As with the mint-burn mechanism, Anchor functioned autonomously as an open-source, decentralized protocol. Consistent with its smart contract code (which could also be modified by community governance proposals), Anchor provided a mechanism for accepting user deposits of UST and for lending UST to borrowers who pledged digital assets as collateral (all of which were accomplished through interactions with Anchor’s smart contracts). Anchor’s smart contracts used borrowers’ digital assets to generate staking rewards, which the protocol allocated to UST depositors as in-kind interest.

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<sup>2</sup> People could obtain UST on secondary markets or by burning LUNA.

11. At the time of its launch in March 2021, Anchor provided for an approximately 20% in-kind yield to UST depositors: that is, the protocol automatically returned to depositors 20% more UST than they deposited, on an annual basis. TFL initially determined this rate when it launched the protocol, but a successful a vote of Anchor community governance participants could have changed the rate at any time.

12. UST deposits into Anchor went into the protocol's smart contracts on the Terra blockchain. At no point did TFL ever have custody, control, or ownership of UST that users deposited into Anchor, whether through TFL's interface or otherwise. TFL had no ability to transfer, store, or receive UST deposits in Anchor. TFL had no obligations of future performance; all UST payments occurred automatically through operation of the Anchor smart contracts. TFL, in turn, was not paid with UST deposited into Anchor.

13. Anchor's programmatic use of borrowers' staking rewards was insufficient to cover the pre-programmed 20% in-kind yield on deposits. Thus, although under no obligation to do so, TFL seed-funded Anchor's yield reserve, adding approximately 70 million UST to the protocol in July, 2021 to ensure full satisfaction of payment obligations. The Luna Foundation Guard later provided an additional 450 million UST to the reserve in February, 2022, for the same reason. Accordingly, TFL expended significant UST on the Anchor Protocol, but did not earn UST through its operation.

14. In mid- to late-2021, centralized cryptocurrency exchanges minted large quantities of UST through the mint-burn mechanism and made them available to retail customers via trading pairs on their platforms. Through this process, centralized exchanges increased the supply and accessibility of UST to market participants who wanted to obtain UST without burning LUNA themselves. If a UST holder obtained UST by burning LUNA, that UST would

be in that holder's Terra blockchain wallet. But if a UST holder purchased UST on a centralized exchange and wanted to deposit it into Anchor, that purchaser had to undertake a multi-step process that involved (1) registering an account on the centralized exchange, (2) funding the account with fiat currency or other cryptocurrencies, (3) purchasing UST on the exchange, (4) transferring the purchased UST from the exchange to a Terra blockchain wallet self-managed by the user, (5) connecting the user's self-managed Terra blockchain wallet to the Anchor Protocol, and (6) depositing their UST into the Anchor Protocol smart contract.

15. TFL was not directly involved in this process and did not receive anything from it. Users that completed the process independently could deposit UST into Anchor and receive the aforementioned in-kind yield of UST in proportion to the amount of UST deposited.

16. The Anchor Protocol continued to operate without any direct financial benefit to TFL until the UST peg collapsed in May 2022. This collapse culminated in the complete shutdown of the Anchor Protocol, which is no longer in operation. TFL received no gains from this wind-down.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed within the United States, this 19th of April, 2024



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Arrash Chris Amani

# EXHIBIT A

	Date	Purchaser	Country/State	Token	Purchase Price (US dollars)	Agreement Doc. No.
1	4/23/2018	Paul Veradittakit	US/CA	LUNA	\$25,000.00	TFL_SEC_A_00112879
2	4/23/2018	David Lee	US/CA	LUNA	\$100,000.00	TFL_SEC_A_00112711
3	8/3/2018	Tenev Trust	US/CA	LUNA	\$100,000.00	TFL_SEC_A_00113317
4	1/7/2019	Travis MacInnes	US/MA	LUNA	\$10,000.05	TFL_SEC_A_00112575
5	1/7/2019	Frank Castelluci	US/MA	LUNA	\$15,000.00	TFL_SEC_A_00112553
6	1/8/2020	DZG Investment Trust	US/MA	LUNA	\$90,000.00	TFL_SEC_A_00112509
7	6/1/2020	Josh Hannah	US/CA	LUNA	\$200,000.00	TFL_SEC_A_00112231
8	6/2/2020	Ashbel Egan	US/CA	LUNA	\$2,000.00	TFL_SEC_A_00112575
9	6/2/2020	Tailwater Investments	US/MA	LUNA	\$75,000.00	TFL_SEC_A_00112465
10	6/2/2020	Frank Castelluci	US/MA	LUNA	\$15,000.00	TFL_SEC_A_00112421
11	6/2/2020	DZG Investment Trust	US/MA	LUNA	\$200,000.00	TFL_SEC_A_00112333
12	6/2/2020	Travis MacInnes	US/MA	LUNA	\$10,000.00	TFL_SEC_A_00112377
13	6/3/2020	Ashbel Egan	US/CA	LUNA	\$2,000.00	TFL_SEC_A_00112311
14	6/16/2020	DZG Investment Trust	US/MA	LUNA	\$99,650.00	TFL_SEC_A_00112289
15	9/28/2020	Robot Ventures	US/UT	MIR	\$175,000.00	TFL_SEC_00162734
16	9/29/2020	Xiaoyue "Richard" Dai	US/IL	MIR	\$100,000.00	TFL_SEC_00244906
17	10/4/2020	Variant Fund LP	US/NY	MIR	\$250,000.00	TFL_SEC_00171850
18	10/16/2020	Coinbase Global	US/CA	MIR	\$200,000.00	TFL_SEC_00298121
19	10/28/2020	William Wolf	US/NY	MIR	\$15,000.00	TFL_SEC_A_00162646
20	10/29/2020	Dream Simulation Trust	US/CA	MIR	<u>\$50,000.00</u>	TFL_SEC_00162624

Total\$1,733,650.05